

**Annual Public Hearing: Health Care Cost Trends**

**Bunker Hill Community College**

**June 6, 2012**

BOROS: Welcome to the third day of the 2012 cost trends hearings. Today is the opportunity for public testimony. And this morning we only have one person signed up for public testimony. However, the record will remain open for the next ten days or so, so we encourage you and your colleagues to submit written testimony, which we will then post and obviously review closely. So with that, I will turn the microphone over to Sarah Gordon from the Massachusetts Association of Health Plans.

**Public Testimony**

GORDON: All right, good morning Commissioner, Tom, good morning. My name is Sarah Gordon. I'm the Vice President of Legal Affairs for the Massachusetts Association of Health Plans, and on behalf of MAHP and our 15 member health plans that provide coverage to approximately 2.6 million Massachusetts residents, we want to thank you for the opportunity to testify in front of the Division of Health Care Finance and Policy's public hearings concerning

health care provider insurance costs and cost trends. These are important subjects and an important topic, and we thank you for this opportunity.

While there have been many changes in the Massachusetts marketplace over the last couple of years, controlling health care costs and keeping those costs affordable still remain the challenge facing all of us in the health care system. Over the last three years there have been several comprehensive reports from experts in the Attorney General's Office and the state's Division of Health Care Finance and Policy, who have thoughtfully and exhaustively examined the key drivers of health care cost. In each case, and after reviewing thousands of previously unavailable pages of information, these experts have conclusively said that the price increases by providers are the major reasons that costs continue to escalate for the Commonwealth. The investigations went on to conclude that the prices vary significantly and are not correlated to the quality of care, the complexity of patient conditions or government underpayments for public programs. Instead they found that the market clout of certain providers and the prices they charge have been the major factors contributing to increases in the health care costs for the Commonwealth, and that these physician practices and medical institutions

are gaining market share at the expense of lower priced providers, particularly in the community setting.

Health insurance premiums and medical costs are inextricably linked. Merely changing how we pay for services will not lower cost. Attorney General Martha Coakley, in explaining her findings, noted that a shift to global payments is certainly not a panacea, because it ignores the flawed foundation of the dysfunctions in the health care market. And making health care affordable requires focusing on how much we pay, and that requires dealing with the market power of certain providers. While payment reform does offer the promise of improving health care quality and bending the cost curve over time by improving coordination and preventive services, its success will only depend on whether we address these flaws that have been highlighted in our marketplace, and that will make health care more affordable for consumers and employers.

The gap between lower paid and higher cost providers must be closed, or any changes that will be made will just be built on an obviously rotting foundation, and further hasten market consolidation. It will limit options for employers and working families and memorialize these higher prices that guarantee ever escalating premiums. As

policymakers take up payment reform legislation, it is imperative that any final bill address the recommendations of the Attorney General and the provider price commission that relate to the market power of providers, in order to provide meaningful cost relief to the state's small businesses and working families.

Finally, as these hearings have looked at the issue of integration in the health care market, we believe that it is important that the Division's report should define what it means for a provider to be truly integrated. Today we have providers that are part of systems that negotiate contracts for health care services jointly, with health plans, but may not actually be integrated with other facilities that are part of that system. To address those issues, we would recommend that the Division outline a set of principles that would define integration and at a minimum include the following criteria:

The provider system has fully implemented one unifying interoperable electronic medical record system across all providers and facilities within the system. The system has implemented quality improvement initiatives with demonstrable improvements in quality of care provided. The provider system has successfully implemented programs to direct care to the appropriate and lowest cost setting

within that system, and finally the provider system can demonstrate that it has implemented appropriate measures to eliminate unnecessary duplication of health care services within the system.

Again, we appreciate the opportunity to offer these comments and we look forward to the Division's report.

Thank you.

### **Concluding Remarks**

BOROS: So I'd like to confirm that there is nobody else who is interested in offering public testimony. Great. So with that, we will conclude the 2012 cost trends hearings. Actually, I shouldn't say that. With that, we are going to take a break and we are going to be here until noon, because the public agenda did state that the public hearing is open until noon for public testimony. So we will be here until noon, in case there are additional people who come to testify. With that we're going to pause right now and I will offer some closing remarks in the anticipation that there will be few takers over the next several hours.

What you'll see over the next coming months is a final report from the 2012 hearings. That will come out of the Division of Health Care Finance and Policy. The Attorney

General's Office is also anticipating publishing a 2012 cost trends report, which will be forthcoming in the coming months. And in addition, we are leaving the public record open for the next ten days, to solicit public testimony in written form, which you can send to the Division of Health Care Finance and Policy. I also encourage you to review the remarks of both Governor Patrick on Monday and the written remarks that Attorney General Coakley submitted on Monday, which are both posted on the Division of Health Care Finance and Policy's website, under the cost trends subsection. So with that, I will wrap it up and like I said, we'll be here until noon, but thank you for attending.

**END OF AUDIO**